

**PLAINWELL COMMUNITY SCHOOLS**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**  
**YEAR ENDED JUNE 30, 2008**

## CONTENTS

### Page

|   |           |
|---|-----------|
| <b>Independent auditors' report</b> .....   | iv - v    |
| <b>Management's Discussion and Analysis</b> .....   | vi - xiii |
| <b>Basic financial statements</b> .....   | 1         |
| Government-wide financial statements  |           |
| Statement of net assets .....   | 2 - 31    |
| Statement of activities .....   | 4         |
| Fund financial statements   |           |
| Balance sheet - governmental funds .....  | 5 - 6     |
| Statement of revenues, expenditures and changes in fund balances -<br>governmental funds.....   | 7 - 8     |
| Reconciliation of the statement of revenues, expenditures and changes in<br>fund balances of governmental funds to the statement of activities..... | 9         |
| Fiduciary funds   |           |
| Statement of fiduciary assets and liabilities .....   | 10        |
| Notes to financial statements .....   | 11 - 29   |
| <b>Required supplementary information</b> .....   | 30        |
| Budgetary comparison schedule - general fund .....  | 31        |
| <b>Additional information</b> .....   | 32        |
| Nonmajor governmental fund types  |           |
| Combining balance sheet .....   | 33        |

## CONTENTS

|   | <u>Page</u> |
|---|-------------|
| Combining statement of revenues, expenditures, and changes<br>in fund balances .....        | 34          |
| Special revenue funds   |             |
| Combining balance sheet .....   | 35          |
| Combining statement of revenues, expenditures and changes<br>in fund balances .....         | 36          |
| Debt service funds  |             |
| Combining balance sheet .....   | 37          |
| Combining statement of revenues, expenditures and changes<br>in fund balances .....         | 38          |
| Fiduciary funds   |             |
| Statement of cash receipts, disbursements and liabilities by<br>activity - agency fund..... | 39 - 42     |
| Long-term debt  |             |
| Bonded debt .....   | 43 - 47     |
| School bond loan and revolving funds.....   | 48          |



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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Plainwell Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Plainwell Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Plainwell Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Plainwell Community Schools as of June 30, 2008 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report September 8, 2008, on our consideration of Plainwell Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xiii and page 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plainwell Community Schools' basic financial statements. The additional information on pages 33 to 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Mayer, Costenizer & Ellis, P.C.*

September 8, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Plainwell Community Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### FINANCIAL HIGHLIGHTS

The District's general fund financial situation continues to improve. Over the past several years the District has strived to reach the Board of Education goal of maintaining at least a 10% fund balance. At the close of the fiscal year ended June 30, 2008, the District's general fund, fund balance has reached 14.0% of expenditures and outgoing transfers or \$3 million dollars.

Total general fund revenues were \$23 million dollars, which was greater than the general fund expenditures and transfers of \$22.9 million dollars by \$184,847. Revenues for the 2007-2008 school year increased by .5% over the previous year while expenditures increased .4% over the previous year.

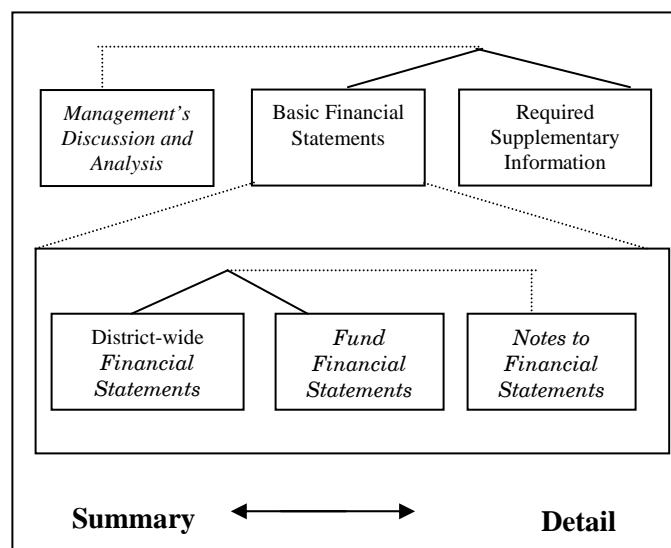
Enrollment decreased slightly during the 2007-2008 school year bringing the blended enrollment of the District to 2,902 students. Student enrollment is projected to decrease slightly in 2008-2009 and then increase at 1% per year beyond 2008-2009.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

**Figure A-1**  
**Organization of Plainwell Community Schools'**  
**Annual Financial Report**



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

| <b>Figure A-2</b><br><b>Major Features of District-Wide and Fund Financial Statements</b> |  |   |   |
|---|--|---|---|
|   | District-wide<br>Statements  | Fund Financial Statements   |   |
|   |  | Governmental Funds  | Fiduciary Funds   |
| Scope   | Entire district<br>(except fiduciary funds)  | The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.   | Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies   |
| Required financial statements   | <ul style="list-style-type: none"> <li>* Statement of net assets</li> <li>* Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>* Balance sheet</li> <li>* Statement of revenues, expenditures and changes in fund balances</li> </ul>                                     | <ul style="list-style-type: none"> <li>* Statement of fiduciary net assets</li> <li>* Statement of changes in fiduciary net assets</li> </ul> |
| Accounting basis and measurement focus  | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus   | Accrual accounting and economic resources focus   |
| Type of asset/liability information   | All assets and liabilities, both financial and capital, short-term and long-term                               | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included                     | All assets and liabilities, both short-term and long-term, PCS's funds do not currently contain capital assets, although they can             |
| Type of inflow/outflow information  | All revenues and expenses during year, regardless of when cash is received or paid                             | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable | All additions and deductions during the year, regardless of when cash is received or paid   |

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

## **DISTRICT-WIDE STATEMENTS**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.



## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets - The District's combined net assets were slightly higher on June 30, 2008 than they were the year before increasing approximately 9% to \$14.2 million. The District spent a significant portion of the construction funds on the ongoing construction projects and retired assets that have been replaced as part of the 2002 bond project. The District also continues to participate in the school bond loan fund (SBLF) borrowing to meet principal and interest payments on its outstanding debt.

| <b>Table A-3</b>                                |               |               |
|---|---------------|---------------|
| <b>Plainwell Community Schools' Net Assets</b>  |               |               |
|   | 2008          | 2007          |
| Current and other assets                        | \$ 9,785,685  | \$ 9,612,130  |
| Capital assets and other                        | 45,577,563    | 45,778,554    |
| Total assets                                    | 55,363,248    | 55,390,684    |
| Long-term liabilities                           | 33,870,006    | 35,170,460    |
| Other liabilities                               | 7,261,810     | 7,237,214     |
| Total liabilities                               | 41,131,816    | 42,407,674    |
| Net assets:                                     |               |               |
| Invested in capital assets, net of related debt | 10,611,293    | 10,342,851    |
| Restricted for debt service                     | 243,160       |               |
| Unrestricted                                    | 3,376,979     | 2,640,159     |
| Total net assets                                | \$ 14,231,432 | \$ 12,983,010 |

| <b>Table A-4</b>  |                     |                   |
|---|---------------------|-------------------|
| <b>Changes in Plainwell Community Schools' Net Assets</b> |                     |                   |
|   | <u>2008</u>         | <u>2007</u>       |
| Revenues:   |                     |                   |
| Program revenues:   |                     |                   |
| Charges for services                                      | \$ 797,374          | \$ 1,097,816      |
| Federal and state categorical grants                      | 1,117,060           | 1,009,168         |
| General revenues:   |                     |                   |
| Property taxes  | 5,338,311           | 5,313,722         |
| State aid - unrestricted                                  | 18,996,908          | 18,839,646        |
| Other   | 1,136,260           | 1,015,099         |
| Total revenues  | <u>27,385,913</u>   | <u>27,275,451</u> |
| Expenses:   |                     |                   |
| Instruction   | 14,056,927          | 14,213,057        |
| Support services  | 7,887,276           | 7,612,911         |
| Community services  | 582,490             | 526,383           |
| Food services   | 870,562             | 759,423           |
| Athletics   | 596,159             | 625,319           |
| Interest on long-term debt                                | 1,727,494           | 1,563,962         |
| Unallocated depreciation                                  | 1,416,583           | 1,269,650         |
| Total expenses  | <u>27,137,491</u>   | <u>26,570,705</u> |
| Special item:   |                     |                   |
| Telecommunications rights revenue                         | <u>1,000,000</u>    |                   |
| Change in net assets                                      | <u>\$ 1,248,422</u> | <u>\$ 704,746</u> |

## **District Governmental Activities**

The recent good health of the District's finances can be credited to a number of areas.

Proposal A that established the student foundation grant concept, has increased the District's main funding source from \$4,794 per student in 1995 to \$7,204 per student in 2008. The State of Michigan increased funding to the District by \$119 per student.

Student overall growth in the District has been ongoing. The student count in September 1995 was 2,643 and has grown by 10% to 2,908 in September of 2007.

The District has continued to go through budget reductions each of the past few years. Expenditures were reduced by approximately \$250,000 - \$500,000 in years 2002 through 2007. The District has strived to restructure programs and services to balance state revenues with expenditures. The District has reduced cost by using a third-party for the hiring and paying of substitute employees. With the State's uncertain revenue structure the District has reduced expenditures to maintain sufficient fund to survive a State proration.

Many upgrades to our facilities in the area of infrastructure, as a result of the projects completed with the 1998 bond issue, has allowed a shift in our philosophy in the area of facilities maintenance. The District has moved to contracting with outside companies for regular preventative maintenance tasks. The upgrade of our entire heating, cooling, electrical and technology infrastructure has allowed for better cost controls. The 2002 bond projects have included added classroom space to the Middle School and each of our elementary schools and an upgrade to our athletic facilities. The District continues to plan for the maintenance and upkeep of this additional classroom space as part of our annual budget and planning process.

The District's alternative and adult education program has been revamped with updated curriculum. This has allowed for growth in the alternative education program that has had a positive impact on the District financially by increasing our student foundation revenue.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole continues to be strong as is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$5 million, above last year's ending fund balances of \$4.8 million. The major portion of this increase was because of a healthier fund balance. Excluding the bonded capital projects fund, the fund balance for the combined governmental funds (general fund, non-bonded capital projects, debt service fund and special revenue funds) of the District increased by \$1,063,430 or (27%) for 2007-2008.

### **General Fund Budgetary Highlights**

During the 2007-2008 fiscal year the District budget was amended twice to reflect changes which affected the District. The initial amendment took place in January 2007, taking into account student enrollment and staffing levels. Uncertain State revenues led to reductions in spending.

The final amendment reflected minor updates in actual funding received and expected year-end expenditures. This amendment showed a budget that used a portion of the fund balance to maintain instructional and support programs. The actual year end balances showed a variance in budgeted revenues of .001 and a variance in budgeted expenditures of 1.1% overall. While working within the restraints of state funding, the District still maintained a fund balance above the Board's set goal of 10% and maintained all critical instructional and support services.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2007-2008, the District had invested \$45.11 million net in a broad range of capital assets, including school buildings, athletic facilities, school furnishings and equipment, vehicles, and technology. This amount represents a net decrease of \$297 thousand, or less than 1 percent, from last year. (More detailed information about capital assets can be found in Note 5 to the financial statements.) Total depreciation expense for the year exceeded \$1.9 million.

| <b>Table A-5</b>                                   |                      |                                 |                       |                       |
|--|----------------------|---------------------------------|-----------------------|-----------------------|
| <b>Plainwell Community Schools' Capital Assets</b> |                      |                                 |                       |                       |
|  | <b>2008</b>          |                                 |                       | <b>2007</b>           |
|  | <b>Cost</b>          | <b>Accumulated depreciation</b> | <b>Net book value</b> | <b>Net book value</b> |
| Land   | \$ 476,352           | \$                              | \$ 476,352            | \$ 476,352            |
| Buildings  | 53,166,934           | 12,589,927                      | 40,577,007            | 41,548,051            |
| Equipment and furniture                            | 9,449,236            | 5,388,758                       | 4,060,478             | 3,386,866             |
| Net capital assets                                 | <u>\$ 63,092,522</u> | <u>\$ 17,978,685</u>            | <u>\$ 45,113,837</u>  | <u>\$ 45,411,269</u>  |

The District's fiscal year 2009 capital budget anticipates spending the remaining \$22,000 for capital projects.

### Long-term Debt

At year-end the District had \$36.1 million in general obligation bonds and other long-term debt outstanding - a decrease of 3.3 percent from last year. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

The District issued \$25.5 million in general obligation bonds in November of 2002 for additions and remodeling to all of our facilities. The District repaid \$2.0 million in general obligation bonds. In May of 2003 the District entered into the School Bond Loan Fund (SBLF) borrowing \$1,400,000 to fully meet principal and interest payments. The current SBLF and School Bond Revolving Fund (SBRF) balance is \$4.4 million. By using the SBLF and the SBRF the District is able to keep the millage rate for debt service at 7.000 mills until the taxable value of the District grows to the point where sufficient funds are generated to meet all obligations and the SBLF is fully repaid.

In May 2008, the District's taxpayers approved a \$21.6 million dollar bond issue. Money will be used to renovate offices and classrooms and construct a new 750 seat auditorium and enlarge the high school cafeteria. With the use of the SBLF the District will be able to keep the mills at 7.0 to repay the entire debt.

| <b>Table A-6</b><br><b>Plainwell Community Schools'</b><br><b>Outstanding Long-Term Debt</b><br><i>(in millions of dollars)</i> |                |                |
|---|----------------|----------------|
|   | 2008           | 2007           |
| General obligation debts<br>(financed with property taxes)  | \$ 35.2        | \$ 36.8        |
| Other   | 0.9            | 0.6            |
| Total   | 36.1           | 37.4           |
| Less due in one year  | 2.2            | 2.2            |
|   | <u>\$ 33.9</u> | <u>\$ 35.2</u> |

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of three existing circumstances that could significantly affect its financial health in the future:

- The 2008-2009 foundation allowance has not been finalized by the State of Michigan. The foundation allowance represents 84 percent of total District revenue. The weak state economy could create a pro-ration in state aid.
- Student counts are always uncertain. The District has experienced a slight loss in students for 2008-2009. The decrease was anticipated and the budget was reduced accordingly.
- The District is plaintiff with other school districts in a lawsuit against the State, seeking to rectify inequities in the formula the State uses to apportion special education aid to the districts.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Director of Finance, Plainwell Community School District, 600 School Drive, Plainwell MI 49080.

## **BASIC FINANCIAL STATEMENTS**

**PLAINWELL COMMUNITY SCHOOLS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

|   | <b>ASSETS</b> | <b><u>Governmental<br/>activities</u></b> |
|---|---------------|---|
| <b>CURRENT ASSETS:</b>                    |               |   |
| Cash                                      |               | \$ 4,366,780                              |
| Investments                               |               | 1,461,814                                 |
| Receivables:                              |               |   |
| Accounts receivable                       |               | 58,511                                    |
| Interest receivable                       |               | 15,889                                    |
| Taxes receivable                          |               | 12,923                                    |
| Agency fund activities                    |               | 4,848                                     |
| Due from other governmental units         |               | 3,772,944                                 |
| Inventories                               |               | 9,009                                     |
| Prepaid expenditures                      |               | 61,267                                    |
| Restricted cash - capital projects        |               | 621                                       |
| Restricted investments - capital projects |               | <u>21,079</u>                             |
| <b>TOTAL CURRENT ASSETS</b>               |               | <u>9,785,685</u>                          |
| <b>NONCURRENT ASSETS:</b>                 |               |   |
| Deferred charges, net of amortization     |               | 463,726                                   |
| Capital assets                            |               | 63,092,522                                |
| Less accumulated depreciation             |               | <u>(17,978,685)</u>                       |
| <b>TOTAL NONCURRENT ASSETS</b>            |               | <u>45,577,563</u>                         |
| <b>TOTAL ASSETS</b>                       |               | <u><u>\$ 55,363,248</u></u>               |

|   | <b>Governmental<br/>activities</b> |
|---|------------------------------------|
| <b>LIABILITIES AND NET ASSETS</b>                                   |                                    |
| <b>CURRENT LIABILITIES:</b>   |                                    |
| Accounts payable  | \$ 341,619                         |
| Accrued salaries and related items                                  | 2,873,530                          |
| Accrued interest  | 288,157                            |
| Deferred revenue  | 10,300                             |
| State aid anticipation note   | 1,500,000                          |
| Current portion of long-term obligations                            | 2,044,104                          |
| Current portion of compensated absences and termination benefits    | 204,100                            |
| <b>TOTAL CURRENT LIABILITIES</b>                                    | <b>7,261,810</b>                   |
| <b>NONCURRENT LIABILITIES:</b>                                      |                                    |
| Noncurrent portion of long-term obligations                         | 33,485,209                         |
| Noncurrent portion of compensated absences and termination benefits | 384,797                            |
| <b>TOTAL NONCURRENT LIABILITIES</b>                                 | <b>33,870,006</b>                  |
| <b>TOTAL LIABILITIES</b>  | <b>41,131,816</b>                  |
| <b>NET ASSETS:</b>  |                                    |
| Invested in capital assets, net of related debt                     | 10,611,293                         |
| Restricted for debt service   | 243,160                            |
| Unrestricted  | 3,376,979                          |
| <b>TOTAL NET ASSETS</b>   | <b>14,231,432</b>                  |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                             | <b>\$ 55,363,248</b>               |



**PLAINWELL COMMUNITY SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2008**

| Functions/programs                          | Expenses             | Program revenues     |                     | Governmental activities                         |
|---|----------------------|----------------------|---------------------|---|
|   |                      | Charges for services | Operating grants    | Net (expense) revenue and changes in net assets |
| Governmental activities:                    |                      |                      |                     |   |
| Instruction                                 | \$ 14,056,927        | \$ 56,371            | \$ 574,967          | \$ (13,425,589)                                 |
| Support services                            | 7,887,276            | 105,817              | 179,788             | (7,601,671)                                     |
| Community services                          | 582,490              | -                    | -                   | (582,490)                                       |
| Food services                               | 870,562              | 499,333              | 362,305             | (8,924)   |
| Athletics                                   | 596,159              | 135,853              | -                   | (460,306)                                       |
| Interest on long-term debt                  | 1,727,494            | -                    | -                   | (1,727,494)                                     |
| Unallocated depreciation                    | 1,416,583            | -                    | -                   | (1,416,583)                                     |
| Total governmental activities               | <u>\$ 27,137,491</u> | <u>\$ 797,374</u>    | <u>\$ 1,117,060</u> | <u>(25,223,057)</u>                             |
| General revenues:                           |                      |                      |                     |   |
| Property taxes, levied for general purposes |                      |                      |                     | 2,209,055                                       |
| Property taxes, levied for debt service     |                      |                      |                     | 3,129,256                                       |
| Investment earnings                         |                      |                      |                     | 175,100   |
| State sources                               |                      |                      |                     | 18,996,908                                      |
| Intermediate sources                        |                      |                      |                     | 380,591   |
| Other                                       |                      |                      |                     | 580,569   |
| Total general revenues                      |                      |                      |                     | <u>25,471,479</u>                               |
| <b>SPECIAL ITEM</b>                         |                      |                      |                     |   |
| Telecommunications rights revenue           |                      |                      |                     | <u>1,000,000</u>                                |
| <b>CHANGE IN NET ASSETS</b>                 |                      |                      |                     | <u>1,248,422</u>                                |
| <b>NET ASSETS, beginning of year</b>        |                      |                      |                     | <u>12,983,010</u>                               |
| <b>NET ASSETS, end of year</b>              |                      |                      |                     | <u><u>\$ 14,231,432</u></u>                     |

See notes to financial statements.

**PLAINWELL COMMUNITY SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

|                                      |                            |   |                                       | Other<br>nonmajor<br>governmental<br>funds | Total<br>governmental<br>funds |
|--------------------------------------|----------------------------|---|---------------------------------------|--|--------------------------------|
|                                      | <u>General Fund</u>        | <u>2002 Capital<br/>projects<br/>fund</u> | <u>2007 Capital<br/>projects fund</u> |  |                                |
| <b>ASSETS</b>                        |                            |   |                                       |  |                                |
| <b>ASSETS:</b>                       |                            |   |                                       |  |                                |
| Cash and cash equivalents            | \$ 2,511,757               | \$ 621                                    | \$ 1,122,807                          | \$ 732,216                                 | \$ 4,367,401                   |
| Investments                          | 1,461,814                  | 21,079                                    | -                                     | -  | 1,482,893                      |
| Receivables:                         |                            |   |                                       |  |                                |
| Property taxes receivable            | 5,036                      | -   | -                                     | 7,887                                      | 12,923                         |
| Accounts receivable                  | 12,003                     | -   | -                                     | 46,508                                     | 58,511                         |
| Interest                             | 15,889                     | -   | -                                     | -  | 15,889                         |
| Due from other governmental units    | 3,772,944                  | -   | -                                     | -  | 3,772,944                      |
| Due from other funds                 | 148,339                    | -   | -                                     | 1,838                                      | 150,177                        |
| Due from student funds               | 4,848                      | -   | -                                     | -  | 4,848                          |
| Inventories                          | -                          | -   | -                                     | 9,009                                      | 9,009                          |
| Prepaid expenditures                 | 11,267                     | -   | -                                     | 50,000                                     | 61,267                         |
| <b>TOTAL ASSETS</b>                  | <u><u>\$ 7,943,897</u></u> | <u><u>\$ 21,700</u></u>                   | <u><u>\$ 1,122,807</u></u>            | <u><u>\$ 847,458</u></u>                   | <u><u>\$ 9,935,862</u></u>     |
| <b>LIABILITIES AND FUND BALANCES</b> |                            |   |                                       |  |                                |
| <b>LIABILITIES:</b>                  |                            |   |                                       |  |                                |
| Accounts payable                     | \$ 310,773                 | \$ 720                                    | \$ -                                  | \$ 30,126                                  | \$ 341,619                     |
| Accrued salaries and related items   | 2,840,642                  | -   | -                                     | 32,888                                     | 2,873,530                      |
| Accrued interest payable             | 47,379                     | -   | -                                     | -  | 47,379                         |
| Note payable                         | 1,500,000                  | -   | -                                     | -  | 1,500,000                      |
| Due to other funds                   | -                          | -   | -                                     | 150,177                                    | 150,177                        |
| Deferred revenue                     | 15,336                     | -   | -                                     | -  | 15,336                         |
| <b>TOTAL LIABILITIES</b>             | <u><u>4,714,130</u></u>    | <u><u>720</u></u>                         | <u><u>-</u></u>                       | <u><u>213,191</u></u>                      | <u><u>4,928,041</u></u>        |

See notes to financial statements.

|  | <u>General Fund</u> | <u>2002 Capital<br/>projects<br/>fund</u> | <u>2007 Capital<br/>projects fund</u> | <u>Other<br/>nonmajor<br/>governmental<br/>funds</u> | <u>Total<br/>governmental<br/>funds</u> |
|--|---------------------|---|---------------------------------------|--|---|
| <b>FUND BALANCES:</b>  |                     |   |                                       |  |   |
| Reserved for inventories   | \$ -                | \$ -                                      | \$ -                                  | \$ 9,009   | \$ 9,009                                |
| Reserved for prepaid expenditures  | 11,267              | -   | -                                     | 50,000   | 61,267                                  |
| Reserved for debt service  | -                   | -   | -                                     | 483,938  | 483,938                                 |
| Reserved for capital outlay  | -                   | 20,980                                    | 1,122,807                             |  | 1,143,787                               |
| Unreserved:  |                     |   |                                       |  |   |
| Designated for severance pay   | 588,897             | -   | -                                     | -  | 588,897                                 |
| Designated for subsequent year expenditures  | 508,446             | -   | -                                     | -  | 508,446                                 |
| Undesignated   | 2,121,157           | -   | -                                     | 91,320   | 2,212,477                               |
| <b>TOTAL FUND BALANCES</b>   | <u>3,229,767</u>    | <u>20,980</u>                             | <u>1,122,807</u>                      | <u>634,267</u>                                       | <u>5,007,821</u>                        |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>   | <u>\$ 7,943,897</u> | <u>\$ 21,700</u>                          | <u>\$ 1,122,807</u>                   | <u>\$ 847,458</u>                                    | <u>\$ 9,935,862</u>                     |
| <b>Total governmental fund balances</b>  |                     |   |                                       |  | \$ 5,007,821                            |
| Amounts reported for governmental activities in the statement of net assets are different because:           |                     |   |                                       |  |   |
| Value of amortized bond issuance costs   |                     |   |                                       | \$ 566,803   |   |
| Accumulated amortization   |                     |   |                                       | <u>(103,077)</u>                                     |   |
|  |                     |   |                                       |  | 463,726                                 |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds |                     |   |                                       |  |   |
| The cost of the capital assets is  |                     |   |                                       | 63,092,522   |   |
| Accumulated depreciation is  |                     |   |                                       | <u>(17,978,685)</u>                                  |   |
|  |                     |   |                                       |  | 45,113,837                              |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds:       |                     |   |                                       |  |   |
| Bonds payable  |                     |   |                                       |  | (35,529,313)                            |
| Compensated absences and termination benefits  |                     |   |                                       |  | (588,897)                               |
| Accrued interest is not included as a liability in government funds, it is recorded when paid                |                     |   |                                       |  | (240,778)                               |
| Deferred revenue at June 30, 2008, expected to be collected after September 1, 2008                          |                     |   |                                       |  | 5,036                                   |
| <b>Net assets of governmental activities</b>   |                     |   |                                       |  | <u>\$ 14,231,432</u>                    |

See notes to financial statements.

**PLAINWELL COMMUNITY SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2008**

|  | <u>General Fund</u> | <u>2002 Capital<br/>projects fund</u> | <u>2007 Capital<br/>projects fund</u> | <u>Other<br/>nonmajor<br/>governmental<br/>funds</u> | <u>Total<br/>governmental<br/>funds</u> |
|--|---------------------|---------------------------------------|---------------------------------------|--|---|
| <b>REVENUES:</b>                             |                     |                                       |                                       |  |   |
| Local sources:                               |                     |                                       |                                       |  |   |
| Property taxes                               | \$ 2,209,055        | \$ -                                  | \$ -                                  | \$ 3,129,256   | \$ 5,338,311                            |
| Tuition                                      | 56,371              | -                                     | -                                     | -  | 56,371                                  |
| Investment earnings                          | 110,479             | 15,524                                | 21,933                                | 24,260   | 172,196                                 |
| Food sales, athletics, and community service | -                   | -                                     | -                                     | 638,581  | 638,581                                 |
| Other  | 610,043             | -                                     | -                                     | 11,302   | 621,345                                 |
| Total local sources                          | 2,985,948           | 15,524                                | 21,933                                | 3,803,399  | 6,826,804                               |
| State sources                                | 19,323,211          | -                                     | -                                     | 39,581   | 19,362,792                              |
| Federal sources                              | 421,884             | -                                     | -                                     | 329,292  | 751,176                                 |
| Incoming transfers and other                 | 380,591             | -                                     | -                                     | -  | 380,591                                 |
| Total revenues                               | 23,111,634          | 15,524                                | 21,933                                | 4,172,272  | 27,321,363                              |
| <b>EXPENDITURES:</b>                         |                     |                                       |                                       |  |   |
| Current:                                     |                     |                                       |                                       |  |   |
| Instruction                                  | 14,088,844          | -                                     | -                                     | -  | 14,088,844                              |
| Supporting services                          | 7,966,268           | -                                     | -                                     | -  | 7,966,268                               |
| Food service activities                      | -                   | -                                     | -                                     | 801,209  | 801,209                                 |
| Athletic activities                          | -                   | -                                     | -                                     | 503,251  | 503,251                                 |
| Community service activities                 | 582,490             | -                                     | -                                     | -  | 582,490                                 |
| Capital outlay                               | -                   | 1,021,898                             | -                                     | 45,288   | 1,067,186                               |
| Debt service:                                |                     |                                       |                                       |  |   |
| Principal repayment                          | -                   | -                                     | -                                     | 2,000,000  | 2,000,000                               |
| Interest                                     | -                   | -                                     | -                                     | 1,464,635  | 1,464,635                               |
| Other  | -                   | -                                     | -                                     | 325  | 325                                     |
| Total expenditures                           | 22,637,602          | 1,021,898                             | -                                     | 4,814,708  | 28,474,208                              |

See notes to financial statements.

|  | <b>General Fund</b>        | <b>2002 Capital<br/>projects fund</b> | <b>2007 Capital<br/>projects fund</b> | <b>Other<br/>nonmajor<br/>governmental<br/>funds</b> | <b>Total<br/>governmental<br/>funds</b> |
|--|----------------------------|---------------------------------------|---------------------------------------|--|---|
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <u>\$ 474,032</u>          | <u>\$ (1,006,374)</u>                 | <u>\$ 21,933</u>                      | <u>\$ (642,436)</u>                                  | <u>\$ (1,152,845)</u>                   |
| <b>OTHER FINANCING SOURCES (USES):</b>                               |                            |                                       |                                       |  |   |
| Proceeds from school bond loan fund                                  | -                          | -                                     | -                                     | 305,946  | 305,946                                 |
| Proceeds from sale of capital assets                                 | 4,550                      | -                                     | -                                     | -  | 4,550                                   |
| Operating transfers from other funds                                 | 60,000                     | -                                     | -                                     | 353,735  | 413,735                                 |
| Operating transfers to other funds                                   | (353,735)                  | -                                     | -                                     | (60,000)   | (413,735)                               |
| Total other financing sources (uses)                                 | <u>(289,185)</u>           | <u>-</u>                              | <u>-</u>                              | <u>599,681</u>                                       | <u>310,496</u>                          |
| <b>SPECIAL ITEM</b>  |                            |                                       |                                       |  |   |
| Telecommunications rights revenue                                    | <u>-</u>                   | <u>-</u>                              | <u>1,000,000</u>                      | <u>-</u>   | <u>1,000,000</u>                        |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | 184,847                    | (1,006,374)                           | 1,021,933                             | (42,755)   | 157,651                                 |
| <b>FUND BALANCES:</b>  |                            |                                       |                                       |  |   |
| Beginning of year  | <u>3,044,920</u>           | <u>1,027,354</u>                      | <u>100,874</u>                        | <u>677,022</u>                                       | <u>4,850,170</u>                        |
| End of year  | <u><u>\$ 3,229,767</u></u> | <u><u>\$ 20,980</u></u>               | <u><u>\$ 1,122,807</u></u>            | <u><u>\$ 634,267</u></u>                             | <u><u>\$ 5,007,821</u></u>              |

See notes to financial statements.

**PLAINWELL COMMUNITY SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008**

**Net change in fund balances total governmental funds** **\$ 157,651**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.

|                      |             |
|----------------------|-------------|
| Depreciation expense | (1,861,080) |
| Capital outlay       | 1,563,648   |

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

|   |           |
|---|-----------|
| Accrued interest payable, beginning of the year | 277,542   |
| Accrued interest payable, end of the year       | (240,778) |

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

|  |           |
|--|-----------|
| Proceeds from school loan revolving fund                         | (305,946) |
| Interest on school bond loan fund and school loan revolving fund | (184,448) |
| Payments on debt   | 2,023,473 |
| Amortization of bond issuance costs                              | (28,853)  |
| Amortization of deferred loss on refunding                       | (185,809) |
| Amortization of bond premiums                                    | 70,959    |
| Amortization of bond discount                                    | (1,576)   |

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

|   |         |
|---|---------|
| Deferred revenue, beginning of the year | (5,036) |
| Deferred revenue, end of the year       | 5,036   |

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

|  |           |
|--|-----------|
| Accrued compensated absences and termination benefits, beginning of the year | 552,536   |
| Accrued compensated absences and termination benefits, end of the year       | (588,897) |

|  |                     |
|--|---------------------|
| <b>Change in net assets of governmental activities</b> | <b>\$ 1,248,422</b> |
|--|---------------------|

**PLAINWELL COMMUNITY SCHOOLS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2008**

|                                       | <u>Agency fund</u> |
|---------------------------------------|--------------------|
| <b>ASSETS</b>                         |                    |
| Cash                                  | <u>\$ 225,346</u>  |
| <b>LIABILITIES</b>                    |                    |
| Accounts payable - primary government | \$ 4,848           |
| Due to student and other groups       | <u>220,498</u>     |
|                                       | <u>\$ 225,346</u>  |

## **PLAINWELL COMMUNITY SCHOOLS NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Plainwell Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

#### **A. Reporting Entity**

The Plainwell Community Schools (the "District") is governed by the Plainwell Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and No. 39.

#### **B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.



**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and fund financial statements (Continued)**

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2002 capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The *2007 capital projects fund* accounts for the receipt of telecommunication rights proceeds and the acquisition of fixed assets or construction of major capital projects.

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and fund financial statements (Continued)**

Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2002 capital projects fund. The project for which the 2002 bonds were issued was considered complete on June 30, 2007 and the cumulative expenditures recognized for the construction period through June 30, 2008 were as follows:

|                            | <u>2002 fund</u>     |
|----------------------------|----------------------|
| Revenue                    | <u>\$ 27,332,251</u> |
| Expenditures and transfers | <u>\$ 27,311,271</u> |

**Other Non-major Funds**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**Fiduciary funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where both the principal and interest may be spent. These funds are not reported on the District financial statements. The District has no private purpose trust funds.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and fund financial statements (Concluded)**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue**

The State of Michigan utilizes a foundation grant approach that provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)**

**State Revenue (Concluded)**

The state portion of the foundation is provided primarily by a state education property tax mileage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit. (Concluded)

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

| Fund  | Mills   |
|---|---------|
| General Fund - Non-homestead                    | 17.9442 |
| Debt service fund - Homestead and non-homestead | 7.0000  |

3. Inventories and prepaid expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

4. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Significant assets have been estimated based on a professional appraisal. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

|                               |               |
|-------------------------------|---------------|
| Buildings and additions       | 40 - 50 years |
| Furniture and other equipment | 5 - 20 years  |

The District’s capitalization policy is to capitalize individual amounts exceeding \$1,000.

6. Compensated absences

The District’s policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**D. Other Accounting Policies (Concluded)**

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

9. Net asset reporting

In the computation of invested in capital assets, net of related debt, school bond loan fund and school bond revolving fund principal proceeds of \$3,813,639 are considered capital-related debt. Accrued interest on the school bond loan fund and school bond revolving fund of \$542,063 has been included in the calculation of restricted and unrestricted net assets.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and capital projects funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, the School Board must approve these transfers and any revisions that alter the total expenditures of any fund.
5. Formal budgetary integration is employed as a management control device during the year for the general, special revenue funds, and capital projects fund.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The District does not consider these amendments to be significant.



**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

As of June 30, 2008, the District had the following investments.

| <b>Investment Type</b>               | <b>Fair value</b>   | <b>Weighted<br/>average<br/>maturity<br/>(years)</b> | <b>Standard<br/>&amp; Poor's<br/>Rating</b> | <b>%</b>       |
|--------------------------------------|---------------------|--|---|----------------|
| MILAF External Investment pool - CMF | \$ 149,864          | 0.0027   | AAAm  | 10.10%         |
| Guaranteed Investment Contract (GIC) | <u>1,333,029</u>    | 0.1397   | A1+   | <u>89.90%</u>  |
| Total fair value                     | <u>\$ 1,482,893</u> |  |   | <u>100.00%</u> |
| Portfolio weighted average maturity  |                     | <u>0.0719</u>  |   |                |

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2008, the fair value of the District’s investments is the same as the value of the pool shares.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$4,507,783 of the District's bank balance of \$4,808,808 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The carrying amount is \$4,592,747.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the note payable disclosed in Note 6.

The Investment Agreement, dated as of August 20, 2007, is by and among Wells Fargo Bank, N.A. as the Depository on behalf of both the participating Governmental Units and the Authority, and Citigroup Global Markets Inc., as Provider.

The net proceeds from the sale of the 2007 Series B-1 Notes were loaned by the Authority to the Governmental Units. Such Loans are or will be repaid with monthly set-a-side installments deposited with the Depository for investment under the Investment Agreement Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 102% of the deposited amount and such Permitted Investments are held by the Depository in a fiduciary capacity.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 5.020% (simple interest actual days elapsed over a 365 day year).

The Guarantor is Citigroup Inc. as guarantor of the Provider's obligations under this Investment Agreement. The Guarantor's short term ratings as of the date of this Investment Agreement were P1, A1+, F1+, for Moody's, S&P, and Fitch, respectively, as of August 2007.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)**

The above amounts as previously reported in Note 3:

|   |              |
|---|--------------|
| Deposits - including fiduciary funds of \$225,346 | \$ 4,592,747 |
| Investments                                       | 1,482,893    |
|   | <hr/>        |
|   | \$ 6,075,640 |
|   | <hr/> <hr/>  |

The above amounts are reported in the financial statements as follows:

|   |              |
|---|--------------|
| Cash - agency fund                            | \$ 225,346   |
| Cash  | 4,366,780    |
| Cash- restricted for capital projects         | 621          |
| Investments                                   | 1,461,814    |
| Investments - restricted for capital projects | 21,079       |
|   | <hr/>        |
|   | \$ 6,075,640 |
|   | <hr/> <hr/>  |

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2008 from other governmental units consist of the following:

|                     |              |
|---------------------|--------------|
| Governmental units: |              |
| State aid           | \$ 3,492,383 |
| Federal revenue     | 233,818      |
| Other               | 46,743       |
|                     | <hr/>        |
|                     | \$ 3,772,944 |
|                     | <hr/> <hr/>  |

Amounts due from governmental units include amounts due from federal, state and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

**PLAINWELL COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - CAPITAL ASSETS**

The following is a summary of the activity during the fiscal year:

|                                    | Balance<br>June 30, 2007 | Additions    | Reclassifications/<br>deletions | Balance<br>June 30, 2008 |
|------------------------------------|--------------------------|--------------|---------------------------------|--------------------------|
| Asseets not being depreciated:     |                          |              |                                 |                          |
| Land                               | \$ 476,352               | \$ -         | \$ -                            | \$ 476,352               |
| Other capital assets:              |                          |              |                                 |                          |
| Building and improvements          | 52,871,460               | 295,474      | -                               | 53,166,934               |
| Land improvements                  | 94,200                   | 555,830      | -                               | 650,030                  |
| Technology                         | 3,266,522                | 442,891      | -                               | 3,709,413                |
| School furnishings and equipment   | 2,921,170                | 103,285      | -                               | 3,024,455                |
| Vehicles and buses                 | 1,211,374                | 131,438      | 50,000                          | 1,292,812                |
| Outside equipment and construction | 737,796                  | 34,730       | -                               | 772,526                  |
| Total other capital assets         | 61,102,522               | 1,563,648    | 50,000                          | 62,616,170               |
| Accumulated depreciation:          |                          |              |                                 |                          |
| Building and improvements          | 11,323,409               | 1,266,518    | -                               | 12,589,927               |
| Land improvements                  | -                        | 55,895       | -                               | 55,895                   |
| Technology                         | 2,604,926                | 180,360      | -                               | 2,785,286                |
| School furnishings and equipment   | 1,006,733                | 225,320      | -                               | 1,232,053                |
| Vehicle and buses'                 | 892,173                  | 97,354       | 50,000                          | 939,527                  |
| Outside equipment and construction | 340,364                  | 35,633       | -                               | 375,997                  |
| Total accumulated depreciation     | 16,167,605               | 1,861,080    | 50,000                          | 17,978,685               |
| Net other capital assets           | 44,934,917               | (297,432)    | -                               | 44,637,485               |
| Net capital assets                 | \$ 45,411,269            | \$ (297,432) | \$ -                            | \$ 45,113,837            |

Amounts included in capital assets include only items greater than \$1,000.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - CAPITAL ASSETS (Concluded)**

Depreciation for the fiscal year ended June 30, 2008 amounted to \$1,861,080. The District allocated depreciation expense to the various activities as follows:

|                  |                            |
|------------------|----------------------------|
| Instruction      | \$ 138,832                 |
| Support services | 154,587                    |
| Athletics        | 148,486                    |
| Food service     | 2,592                      |
| Unallocated      | <u>1,416,583</u>           |
|                  | <u><u>\$ 1,861,080</u></u> |

Unallocated depreciation represents the assets that serve multiple functions and thus it would be impractical to allocate the depreciation.

**NOTE 6 - NOTE PAYABLE**

At June 30, 2008 the District had outstanding a \$1,500,000 revenue note (state aid note) dated August 20, 2007. The note, which has an interest rate of 3.68%, matures August 20, 2008. The District has \$1,333,029 of funds on deposit with a financial institution, which are included in investments on the general fund balance sheet, to be applied against the \$1,500,000 note. The note is secured by the full faith and credit of the District as well as pledged state aid. Subsequent to year-end the District set aside an additional amount to pay off the note principal and related interest expense.

| Balance<br>June 30, 2007 | Additions           | Payments            | Balance<br>June 30, 2008 |
|--------------------------|---------------------|---------------------|--------------------------|
| <u>\$ 1,500,000</u>      | <u>\$ 1,500,000</u> | <u>\$ 1,500,000</u> | <u>\$ 1,500,000</u>      |

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

|  |                             |
|--|-----------------------------|
| 1998 general obligation - bonds due in annual installments of \$1,000,000 through May 1, 2009, with interest at 4.50%  | \$ 1,000,000                |
| 2002 general obligation - bonds due in annual installments of \$745,000 to \$1,000,000 through May 1, 2021, with interest at 4.00% to 5.5%   | 6,745,000                   |
| 2005 refunding serial bonds due in annual installments of \$1,000,000 to \$2,030,000 through May 1, 2020, with interest at 3.50% to 5.00%  | 15,250,000                  |
| 2007 refunding serial bonds due in annual installments of \$350,000 to \$1,100,000 through May 1, 2028, with interest at 4.00%   | <u>7,900,000</u>            |
| Total general obligation bonded debt   | 30,895,000                  |
| Less deferred amounts on bond refunding  | (874,778)                   |
| Less unamortized discount  | (31,120)                    |
| Plus:  |                             |
| Premium on bond refunding  | <u>930,748</u>              |
|  | 30,919,850                  |
| 1998 limited obligation bonds (Durant bonds) due in annual installments of \$20,631 to \$62,206 through May 1, 2013, with interest at 4.76%. Certain State Aid payments have been pledged as security. | <u>151,940</u>              |
|  | 31,071,790                  |
| Borrowings from the State of Michigan - school bond loan and revolving funds   | 4,355,702                   |
| Note payable due in annual installments of \$7,773 through April 2011. Collateralized by software. Note is non-interest bearing.   | 23,321                      |
| Note payable due in annual installments of \$7,773 through June 2013. Collateralized by water main usage rights. Note is non-interest bearing.   | 78,500                      |
| Compensated absences and termination benefits  | <u>588,897</u>              |
| Total general long-term debt   | <u><u>\$ 36,118,210</u></u> |

The Durant bonds, including interest, were issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT (Continued)**

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2008, \$13,255,000 of bonds outstanding are considered defeased.

The annual requirements to amortize long-term obligations outstanding exclusive of compensating absences as of June 30, 2008, including interest of \$12,132,501 are as follows:

| Year ending<br>June 30,              | Principal            | Interest             | Total                |
|--------------------------------------|----------------------|----------------------|----------------------|
| 2009                                 | \$ 2,044,104         | \$ 1,364,582         | \$ 3,408,686         |
| 2010                                 | 2,080,086            | 1,278,599            | 3,358,685            |
| 2011                                 | 2,076,117            | 1,196,171            | 3,272,288            |
| 2012                                 | 2,112,906            | 1,132,616            | 3,245,522            |
| 2013                                 | 2,070,548            | 1,035,513            | 3,106,061            |
| 2014-2018                            | 10,120,000           | 3,714,670            | 13,834,670           |
| 2019-2023                            | 5,285,000            | 1,769,750            | 7,054,750            |
| 2024-2028                            | 5,360,000            | 640,600              | 6,000,600            |
|                                      | 31,148,761           | <u>\$ 12,132,501</u> | <u>\$ 43,281,262</u> |
| School bond loan and revolving funds | 4,355,702            |                      |                      |
| Compensated absences/severance pay   | 588,897              |                      |                      |
| Deferred loss on bond refunding      | (874,778)            |                      |                      |
| Discounts on refunding               | (31,120)             |                      |                      |
| Premiums on refunding                | 930,748              |                      |                      |
|                                      | <u>\$ 36,118,210</u> |                      |                      |

At June 30, 2008, net assets of \$483,938 are available in the debt service funds to service the general obligation debt.

**Borrowing from the State of Michigan** - The school bond loans payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates ranging from 4.25% - 4.75% for the School Revolving Fund notes and 4.384% - 4.823% for the School Bond Loan Fund notes have been assessed for the year ended June 30, 2008. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.00 mills. The school district is required to levy 7.00 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT (Concluded)**

The following is a summary of long-term obligations for the District for the year ended June 30, 2008:

|                          | Compensated<br>absences/<br>severance pay | General<br>obligation<br>bonds | Limited<br>obligation<br>bonds | School bond<br>loan and<br>revolving funds | Other            | Total                |
|--------------------------|---|--------------------------------|--------------------------------|--|------------------|----------------------|
| Balance July 1, 2007     | \$ 552,536                                | \$ 32,803,424                  | \$ 151,940                     | \$ 3,865,308                               | \$ 125,294       | \$ 37,498,502        |
| Additions                | 36,361                                    |                                |                                | 490,394                                    |                  | 526,755              |
| Deletions                |   | 1,883,574                      |                                |  | 23,473           | 1,907,047            |
| Balance June 30, 2008    | 588,897                                   | 30,919,850                     | 151,940                        | 4,355,702                                  | 101,821          | 36,118,210           |
| Less current portion     | 204,100                                   | 2,000,000                      | 20,631                         | -  | 23,473           | 2,248,204            |
| Total due after one year | <u>\$ 384,797</u>                         | <u>\$ 28,919,850</u>           | <u>\$ 131,309</u>              | <u>\$ 4,355,702</u>                        | <u>\$ 78,348</u> | <u>\$ 33,870,006</u> |

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

Amounts due to and from other funds at June 30, 2008 are as follows:

| Receivable fund | Amount            | Payable fund | Amount            |
|-----------------|-------------------|--------------|-------------------|
| General fund    | \$ 148,339        | Food service | \$ 102,511        |
| Athletic        | 1,838             | Athletic     | 47,666            |
|                 | <u>\$ 150,177</u> |              | <u>\$ 150,177</u> |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.



**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate through September 30, 2007 was 17.74% of payroll and decreased to 16.72% effective October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2008, 2007 and 2006 were \$2,202,000, \$2,087,000, and \$2,025,000, respectively, and were equal to the required contribution for those years.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement or post-retirement benefits which is the responsibility of the State of Michigan.

## **PLAINWELL COMMUNITY SCHOOLS NOTES TO FINANCIAL STATEMENTS**

### **NOTE 10 - RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

### **NOTE 11 - COMMITMENTS AND CONTINGENCIES**

The District is self-insured for dental and vision coverage. The current year expense for June 30, 2008 was \$140,788. Any liability for incurred and unreported claims is considered immaterial. The District has approximately \$22,000 committed to complete its \$25,510,000 bond proposal construction program. At June 30, 2008 the management of the District is not aware of any arbitrage liability. In May 2008, the voters approved a \$21,665,000 bond issue. The proceeds were received after year end.

### **NOTE 12 - TRANSFERS**

The general fund transferred \$353,735 to the athletics fund during the current fiscal year. The transfer to the athletic fund was to subsidize operations. The school lunch fund transferred \$60,000 to the general fund for current year indirect costs. The interfund transfers in the debt service funds represent the discretionary distribution of school bond loan fund proceeds.

### **NOTE 13 - SPECIAL ITEM**

The 2007 capital projects fund was established to receive the proceeds for the transfer of certain telecommunications rights. During the year ended June 30, 2008, \$1,000,000 was recorded as revenue.

### **NOTE 14 – SUBSEQUENT EVENT**

The District has approved borrowing \$1,500,000 for fiscal 2009 to replace the note payable described in Note 6.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**PLAINWELL COMMUNITY SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2008**

|   | <b>Original<br/>budget</b> | <b>Final<br/>budget</b> | <b>Actual</b>       | <b>Variance with<br/>final budget-<br/>positive<br/>(negative)</b> |
|---|----------------------------|-------------------------|---------------------|--|
| <b>REVENUES:</b>                                |                            |                         |                     |  |
| Local sources                                   | \$ 2,932,935               | \$ 2,968,836            | \$ 2,985,948        | \$ 17,112  |
| State sources                                   | 18,760,386                 | 19,322,866              | 19,323,211          | 345  |
| Federal sources                                 | 423,042                    | 410,156                 | 421,884             | 11,728   |
| Incoming transfers and other                    | 506,680                    | 376,426                 | 380,591             | 4,165  |
| Total revenues                                  | <u>22,623,043</u>          | <u>23,078,284</u>       | <u>23,111,634</u>   | <u>33,350</u>  |
| <b>EXPENDITURES:</b>                            |                            |                         |                     |  |
| Current:  |                            |                         |                     |  |
| Instruction:                                    |                            |                         |                     |  |
| Basic programs                                  | 11,692,320                 | 11,974,333              | 11,859,158          | 115,175  |
| Added needs                                     | 2,177,965                  | 2,257,100               | 2,198,964           | 58,136   |
| Adult and continuing education                  | 45,653                     | 36,745                  | 30,722              | 6,023  |
| Total instruction                               | <u>13,915,938</u>          | <u>14,268,178</u>       | <u>14,088,844</u>   | <u>179,334</u>   |
| Supporting services:                            |                            |                         |                     |  |
| Pupil   | 1,151,620                  | 1,263,485               | 1,264,269           | (784)  |
| Instructional staff                             | 665,233                    | 572,815                 | 558,871             | 13,944   |
| General administration                          | 422,410                    | 434,460                 | 427,647             | 6,813  |
| School administration                           | 1,184,847                  | 1,193,898               | 1,173,126           | 20,772   |
| Business  | 377,079                    | 544,278                 | 534,947             | 9,331  |
| Operation/maintenance                           | 2,799,200                  | 2,697,149               | 2,689,456           | 7,693  |
| Pupil transportation                            | 856,951                    | 871,113                 | 822,152             | 48,961   |
| Central   | 503,537                    | 500,305                 | 495,800             | 4,505  |
| Total supporting services                       | <u>7,960,877</u>           | <u>8,077,503</u>        | <u>7,966,268</u>    | <u>111,235</u>   |
| Community services                              | <u>610,849</u>             | <u>591,214</u>          | <u>582,490</u>      | <u>8,724</u>   |
| Total expenditures                              | <u>22,487,664</u>          | <u>22,936,895</u>       | <u>22,637,602</u>   | <u>299,293</u>   |
| <b>EXCESS OF REVENUES<br/>OVER EXPENDITURES</b> | <u>135,379</u>             | <u>141,389</u>          | <u>474,032</u>      | <u>332,643</u>   |
| <b>OTHER FINANCING SOURCES (USES):</b>          |                            |                         |                     |  |
| Proceeds from sale of fixed assets              | -                          | 4,550                   | 4,550               | -  |
| Operating transfers from other funds            | -                          | 60,000                  | 60,000              | -  |
| Operating transfers to other funds              | (344,119)                  | (354,119)               | (353,735)           | 384  |
| Total other financing uses                      | <u>(344,119)</u>           | <u>(289,569)</u>        | <u>(289,185)</u>    | <u>384</u>   |
| <b>NET CHANGE IN FUND BALANCE</b>               | <u>\$ (208,740)</u>        | <u>\$ (148,180)</u>     | <u>184,847</u>      | <u>\$ 333,027</u>  |
| <b>FUND BALANCE:</b>                            |                            |                         |                     |  |
| Beginning of year                               |                            |                         | 3,044,920           |  |
| End of year                                     |                            |                         | <u>\$ 3,229,767</u> |  |

## **ADDITIONAL INFORMATION**

**PLAINWELL COMMUNITY SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2008**

|  | <b>Special<br/>revenue</b> | <b>Debt<br/>service</b> | <b>Total<br/>nonmajor<br/>governmental<br/>funds</b> |
|--|----------------------------|-------------------------|--|
| <b>ASSETS</b>                                  |                            |                         |  |
| <b>ASSETS:</b>                                 |                            |                         |  |
| Cash and cash equivalents                      | \$ 256,165                 | \$ 476,051              | \$ 732,216   |
| Accounts receivable                            | 46,508                     | -                       | 46,508   |
| Delinquent taxes receivable                    | -                          | 7,887                   | 7,887  |
| Due from other funds                           | 1,838                      | -                       | 1,838  |
| Prepaid expenditures                           | 50,000                     | -                       | 50,000   |
| Inventories                                    | 9,009                      | -                       | 9,009  |
| <b>TOTAL ASSETS</b>                            | <b>\$ 363,520</b>          | <b>\$ 483,938</b>       | <b>\$ 847,458</b>                                    |
| <b>LIABILITIES AND FUND BALANCES</b>           |                            |                         |  |
| <b>LIABILITIES:</b>                            |                            |                         |  |
| Accounts payable                               | \$ 30,126                  | \$ -                    | \$ 30,126  |
| Accrued salaries and related items             | 32,888                     | -                       | 32,888   |
| Due to other funds                             | 150,177                    | -                       | 150,177  |
| <b>TOTAL LIABILITIES</b>                       | <b>213,191</b>             | <b>-</b>                | <b>213,191</b>                                       |
| <b>FUND BALANCES:</b>                          |                            |                         |  |
| Reserved for inventories                       | 9,009                      | -                       | 9,009  |
| Reserved for debt service                      | -                          | 483,938                 | 483,938  |
| Reserved for prepaid expenditures              | 50,000                     | -                       | 50,000   |
| Unreserved, undesignated                       | 91,320                     | -                       | 91,320   |
| <b>TOTAL FUND BALANCES</b>                     | <b>150,329</b>             | <b>483,938</b>          | <b>634,267</b>                                       |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <b>\$ 363,520</b>          | <b>\$ 483,938</b>       | <b>\$ 847,458</b>                                    |

**PLAINWELL COMMUNITY SCHOOLS  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2008**

|  | <b>Special<br/>revenue</b> | <b>Debt<br/>service</b> | <b>Total<br/>nonmajor<br/>governmental<br/>funds</b> |
|--|----------------------------|-------------------------|--|
| <b>REVENUES:</b>                                     |                            |                         |  |
| Local sources:                                       |                            |                         |  |
| Property taxes                                       | \$ -                       | \$ 3,129,256            | \$ 3,129,256   |
| Investment earnings                                  | -                          | 24,260                  | 24,260   |
| Food sales and admissions                            | 638,581                    | -                       | 638,581  |
| Other  | 11,302                     | -                       | 11,302   |
| Total local sources                                  | 649,883                    | 3,153,516               | 3,803,399  |
| State sources  | 39,581                     | -                       | 39,581   |
| Federal sources                                      | 329,292                    | -                       | 329,292  |
| Total revenues                                       | 1,018,756                  | 3,153,516               | 4,172,272  |
| <b>EXPENDITURES:</b>                                 |                            |                         |  |
| Current:   |                            |                         |  |
| Food service activities                              | 801,209                    | -                       | 801,209  |
| Athletic activities                                  | 503,251                    | -                       | 503,251  |
| Capital outlay                                       | 45,288                     | -                       | 45,288   |
| Debt service:  |                            |                         |  |
| Principal repayment                                  | -                          | 2,000,000               | 2,000,000  |
| Interest expense                                     | -                          | 1,464,635               | 1,464,635  |
| Other expense  | -                          | 325                     | 325  |
| Total expenditures                                   | 1,349,748                  | 3,464,960               | 4,814,708  |
| <b>DEFICIENCY OF REVENUES<br/>UNDER EXPENDITURES</b> | (330,992)                  | (311,444)               | (642,436)  |
| <b>OTHER FINANCING SOURCES (USES):</b>               |                            |                         |  |
| Proceeds from school bond loan fund                  | -                          | 305,946                 | 305,946  |
| Operating transfers from other funds                 | 353,735                    | -                       | 353,735  |
| Operating transfers to other funds                   | (60,000)                   | -                       | (60,000)   |
| Total other financing sources                        | 293,735                    | 305,946                 | 599,681  |
| <b>NET CHANGE IN FUND BALANCES</b>                   | (37,257)                   | (5,498)                 | (42,755)   |
| <b>FUND BALANCES:</b>                                |                            |                         |  |
| Beginning of year                                    | 187,586                    | 489,436                 | 677,022  |
| End of year  | \$ 150,329                 | \$ 483,938              | \$ 634,267   |

**PLAINWELL COMMUNITY SCHOOLS  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2008**

|  | <u>Food Service</u> | <u>Athletic</u>   | <u>Totals</u>     |
|--|---------------------|-------------------|-------------------|
| <b>ASSETS</b>                                  |                     |                   |                   |
| <b>ASSETS:</b>                                 |                     |                   |                   |
| Cash and cash equivalents                      | \$ 191,613          | \$ 64,552         | \$ 256,165        |
| Accounts receivable                            | 46,508              | -                 | 46,508            |
| Due from other funds                           | -                   | 1,838             | 1,838             |
| Prepaid expenditures                           | 50,000              | -                 | 50,000            |
| Inventories                                    | 9,009               | -                 | 9,009             |
|  | <u>          </u>   | <u>          </u> | <u>          </u> |
| <b>TOTAL ASSETS</b>                            | <u>\$ 297,130</u>   | <u>\$ 66,390</u>  | <u>\$ 363,520</u> |
|  |                     |                   |                   |
| <b>LIABILITIES AND FUND BALANCES</b>           |                     |                   |                   |
| <b>LIABILITIES:</b>                            |                     |                   |                   |
| Accounts payable                               | \$ 29,971           | \$ 155            | \$ 30,126         |
| Accrued salaries and related items             | 32,490              | 398               | 32,888            |
| Due to other funds                             | 102,511             | 47,666            | 150,177           |
|  | <u>          </u>   | <u>          </u> | <u>          </u> |
| <b>TOTAL LIABILITIES</b>                       | <u>164,972</u>      | <u>48,219</u>     | <u>213,191</u>    |
|  |                     |                   |                   |
| <b>FUND BALANCES:</b>                          |                     |                   |                   |
| Reserved for inventories                       | 9,009               | -                 | 9,009             |
| Reserved for prepaid expenditures              | 50,000              | -                 | 50,000            |
| Unreserved/undesignated                        | 73,149              | 18,171            | 91,320            |
|  | <u>          </u>   | <u>          </u> | <u>          </u> |
| <b>TOTAL FUND BALANCES</b>                     | <u>132,158</u>      | <u>18,171</u>     | <u>150,329</u>    |
|  |                     |                   |                   |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <u>\$ 297,130</u>   | <u>\$ 66,390</u>  | <u>\$ 363,520</u> |



**PLAINWELL COMMUNITY SCHOOLS  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2008**

|  | <b>Food<br/>Service</b> | <b>Athletic</b>  | <b>Total</b>      |
|--|-------------------------|------------------|-------------------|
| <b>REVENUES:</b>   |                         |                  |                   |
| Sales  | \$ 499,333              | \$ -             | \$ 499,333        |
| State aid  | 39,581                  | -                | 39,581            |
| Federal aid  | 329,292                 | -                | 329,292           |
| Admissions   | -                       | 139,248          | 139,248           |
| Other  | 2,904                   | 8,398            | 11,302            |
|  | <u>871,110</u>          | <u>147,646</u>   | <u>1,018,756</u>  |
| Total revenues   |                         |                  |                   |
| <b>EXPENDITURES:</b>   |                         |                  |                   |
| Salaries   | 181,814                 | 310,473          | 492,287           |
| Benefits   | 56,604                  | 71,475           | 128,079           |
| Purchased services   | 119,401                 | 80,882           | 200,283           |
| Supplies and materials   | 434,437                 | 40,421           | 474,858           |
| Capital outlay   | 45,288                  | -                | 45,288            |
| Other expenses   | 8,953                   | -                | 8,953             |
|  | <u>846,497</u>          | <u>503,251</u>   | <u>1,349,748</u>  |
| Total expenditures   |                         |                  |                   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>24,613</u>           | <u>(355,605)</u> | <u>(330,992)</u>  |
| <b>OTHER FINANCING SOURCES (USES):</b>                               |                         |                  |                   |
| Operating transfers from other funds                                 | -                       | 353,735          | 353,735           |
| Operating transfers to other funds                                   | (60,000)                | -                | (60,000)          |
|  | <u>(60,000)</u>         | <u>353,735</u>   | <u>293,735</u>    |
| Total other financing sources (uses)                                 |                         |                  |                   |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | (35,387)                | (1,870)          | (37,257)          |
| <b>FUND BALANCES:</b>  |                         |                  |                   |
| Beginning of year  | <u>167,545</u>          | <u>20,041</u>    | <u>187,586</u>    |
| End of year  | <u>\$ 132,158</u>       | <u>\$ 18,171</u> | <u>\$ 150,329</u> |

**PLAINWELL COMMUNITY SCHOOLS  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2008**

|                             | <b><u>1998</u></b>       | <b><u>2002</u></b>       | <b><u>2005<br/>Refunding</u></b> | <b><u>2007</u></b>      | <b><u>Total<br/>nonmajor</u></b> |
|-----------------------------|--------------------------|--------------------------|----------------------------------|-------------------------|----------------------------------|
| <b>ASSETS</b>               |                          |                          |                                  |                         |                                  |
| Cash and cash equivalents   | \$ 132,313               | \$ 117,114               | \$ 168,626                       | \$ 57,998               | \$ 476,051                       |
| Delinquent taxes receivable | <u>2,429</u>             | <u>3,037</u>             | <u>1,672</u>                     | <u>749</u>              | <u>7,887</u>                     |
| <b>TOTAL ASSETS</b>         | <b><u>\$ 134,742</u></b> | <b><u>\$ 120,151</u></b> | <b><u>\$ 170,298</u></b>         | <b><u>\$ 58,747</u></b> | <b><u>\$ 483,938</u></b>         |
| <b>FUND BALANCES</b>        |                          |                          |                                  |                         |                                  |
| Reserved for debt service   | <u>\$ 134,742</u>        | <u>\$ 120,151</u>        | <u>\$ 170,298</u>                | <u>\$ 58,747</u>        | <u>\$ 483,938</u>                |

**PLAINWELL COMMUNITY SCHOOLS  
DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2008**

|  | <u>1998</u>       | <u>2002</u>       | <u>2005<br/>Refunding</u> | <u>2007</u>      | <u>Total<br/>Nonmajor</u> |
|--|-------------------|-------------------|---------------------------|------------------|---------------------------|
| <b>REVENUES:</b>                                     |                   |                   |                           |                  |                           |
| Local sources:                                       |                   |                   |                           |                  |                           |
| Property taxes                                       | \$ 964,082        | \$ 1,202,503      | \$ 647,754                | \$ 314,917       | \$ 3,129,256              |
| Interest   | 7,754             | 9,506             | 4,714                     | 2,286            | 24,260                    |
| Total revenues                                       | <u>971,836</u>    | <u>1,212,009</u>  | <u>652,468</u>            | <u>317,203</u>   | <u>3,153,516</u>          |
| <b>EXPENDITURES:</b>                                 |                   |                   |                           |                  |                           |
| Redemption of bonds                                  | 1,000,000         | 1,000,000         | -                         | -                | 2,000,000                 |
| Interest on bonded debt                              | 94,037            | 329,184           | 702,574                   | 338,840          | 1,464,635                 |
| Other  | -                 | -                 | -                         | 325              | 325                       |
| Total expenditures                                   | <u>1,094,037</u>  | <u>1,329,184</u>  | <u>702,574</u>            | <u>339,165</u>   | <u>3,464,960</u>          |
| <b>DEFICIENCY OF REVENUES<br/>UNDER EXPENDITURES</b> | <u>(122,201)</u>  | <u>(117,175)</u>  | <u>(50,106)</u>           | <u>(21,962)</u>  | <u>(311,444)</u>          |
| <b>OTHER FINANCING SOURCES (USES):</b>               |                   |                   |                           |                  |                           |
| Proceeds from school bond loan fund                  | -                 | -                 | 265,523                   | 40,423           | 305,946                   |
| Interfund transfers                                  | 170,000           | 60,000            | (130,000)                 | (100,000)        | -                         |
| Total other financing sources (uses)                 | <u>170,000</u>    | <u>60,000</u>     | <u>135,523</u>            | <u>(59,577)</u>  | <u>305,946</u>            |
| <b>NET CHANGE IN FUND BALANCES</b>                   | <u>47,799</u>     | <u>(57,175)</u>   | <u>85,417</u>             | <u>(81,539)</u>  | <u>(5,498)</u>            |
| <b>FUND BALANCES:</b>                                |                   |                   |                           |                  |                           |
| Beginning of year                                    | <u>86,943</u>     | <u>177,326</u>    | <u>84,881</u>             | <u>140,286</u>   | <u>489,436</u>            |
| End of year  | <u>\$ 134,742</u> | <u>\$ 120,151</u> | <u>\$ 170,298</u>         | <u>\$ 58,747</u> | <u>\$ 483,938</u>         |

**PLAINWELL COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS**  
**AND LIABILITY BY ACTIVITY**  
**YEAR ENDED JUNE 30, 2008**

|                                       | <b>Balance<br/>7/1/07</b> | <b>Additions</b> | <b>Deductions</b> | <b>Balance<br/>6/30/08</b> |
|---------------------------------------|---------------------------|------------------|-------------------|----------------------------|
| Admin. Flower fund                    | \$ 986                    | \$ 2,970         | \$ 200            | \$ 3,756                   |
| Alternative Education Activity fund   | 849                       | 663              | 1,435             | 77                         |
| Bus garage lounge and pop machine     | (159)                     | 55               | 350               | (454)                      |
| Community Education - senior citizens | 3,024                     | 1,537            | 3,935             | 626                        |
| Comm Ed and Hicks Gym Pepsi           | 628                       | 13               | -                 | 641                        |
|                                       |                           |                  |                   | -                          |
| Cooper - activities                   | 6,048                     | 8,871            | 9,312             | 5,607                      |
| Cooper - library fund                 | 325                       | 84               | -                 | 409                        |
| J. Gordon - Memorial Library fund     | 5                         | -                | -                 | 5                          |
| Cooper - dental                       | (78)                      | -                | -                 | (78)                       |
| GRASP                                 | 2,745                     | 1,821            | 1,779             | 2,787                      |
|                                       |                           |                  |                   | -                          |
| Gilkey - Dental Assistance            | 730                       | -                | 730               | -                          |
| Gilkey - earth shuttle                | 12,221                    | -                | -                 | 12,221                     |
| Gilkey - general activities           | 2,577                     | 4,082            | 4,245             | 2,414                      |
| Gilkey - Parent's grants              | (294)                     | 4,024            | 3,974             | (244)                      |
| Gilkey - Ismond environmental         | 4,234                     | 3,792            | 4,546             | 3,480                      |
|                                       |                           |                  |                   | -                          |
| Gilkey - library                      | 3,125                     | 2,504            | 5,058             | 571                        |
| Gilkey - 5th grade activity           | 1,003                     | 4,898            | 5,495             | 406                        |
| Gilkey - Jody Deanda - PPI            | 594                       | 340              | 670               | 264                        |
| Gilkey - school store                 | 740                       | -                | 740               | -                          |
| Gilkey - teachers lounge              | 1,327                     | 634              | 236               | 1,725                      |
|                                       |                           |                  |                   | -                          |
| High school:                          |                           |                  |                   |                            |
| Athletics - concessions               | 90                        | -                | -                 | 90                         |
| Athletics - baseball                  | 1,129                     | 8,223            | 7,238             | 2,114                      |
| Athletics - basketball mens           | 658                       | 3,703            | 4,002             | 359                        |
| Athletics - basketball womens         | 1,371                     | 6,841            | 6,419             | 1,793                      |
| Athletics - boosters account          | (236)                     | -                | -                 | (236)                      |
|                                       |                           |                  |                   |                            |
| Athletics - cheerleading              | (1,694)                   | 5,173            | 4,556             | (1,077)                    |
| Athletics - mens cross country        | 140                       | 1,405            | 52                | 1,493                      |
| Athletics - womens cross country      | 140                       | -                | -                 | 140                        |
| Athletics - Angeletti football fund   | 30                        | 100              | -                 | 130                        |
| Athletics - golf mens                 | 106                       | 746              | 636               | 216                        |
|                                       |                           |                  |                   | -                          |

**PLAINWELL COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS**  
**AND LIABILITY BY ACTIVITY**  
**YEAR ENDED JUNE 30, 2008**

|                           | <b>Balance<br/>7/1/07</b> | <b>Additions</b> | <b>Deductions</b> | <b>Balance<br/>6/30/08</b> |
|---------------------------|---------------------------|------------------|-------------------|----------------------------|
| High school (Continued):  |                           |                  |                   |                            |
| Athletics - golf womens   | \$ 80                     | \$ 1,968         | \$ 2,234          | \$ (186)                   |
| Athletics - soccer mens   | 3,020                     | 2,260            | 3,675             | 1,605                      |
| Athletics - soccer womens | 394                       | 7,847            | 8,037             | 204                        |
| Athletics - softball      | 1,439                     | 3,434            | 4,649             | 224                        |
| Athletics - tennis mens   | 890                       | 1,947            | 2,362             | 475                        |
|                           |                           |                  |                   | -                          |
| Athletics - tennis womens | 397                       | 404              | 303               | 498                        |
| Athletics - track mens    | 337                       | -                | -                 | 337                        |
| Athletics - track womens  | (1,391)                   | -                | -                 | (1,391)                    |
| Athletics - volleyball    | 4,322                     | 2,461            | 2,627             | 4,156                      |
| Art                       | 32                        | -                | -                 | 32                         |
|                           |                           |                  |                   | -                          |
| Auto shop                 | 491                       | 3,839            | 3,667             | 663                        |
| Band Council              | 921                       | 995              | 2,096             | (180)                      |
| Bookstore                 | 8,493                     | 4,086            | 2,803             | 9,776                      |
| Choir                     | 24,503                    | 47,683           | 49,094            | 23,092                     |
| Class of 2006             | 331                       | -                | -                 | 331                        |
| Class of 2007             | 2,837                     | 200              | 760               | 2,277                      |
| Class of 2008             | 4,663                     | 1,615            | 6,277             | 1                          |
| Class of 2009             | 2,047                     | 21,416           | 7,967             | 15,496                     |
| Class of 2010             | 2,122                     | 2,576            | 2,182             | 2,516                      |
| Class of 2011             | 296                       | 7,633            | 7,296             | 633                        |
|                           |                           |                  |                   |                            |
| Culture club              | 110                       | -                | -                 | 110                        |
| Drafting                  | 141                       | 6                | -                 | 147                        |
| Duane Strobl memorial     | 160                       | -                | -                 | 160                        |
| EMI/AI                    | 35                        | -                | -                 | 35                         |
| Eco club                  | -                         | 828              | 730               | 98                         |
|                           |                           |                  |                   | -                          |
| Fine arts department      | 325                       | -                | -                 | 325                        |
| Football                  | 2,115                     | 11,875           | 12,625            | 1,365                      |
| Former classes            | 7,379                     | 3                | 5,218             | 2,164                      |
| French club               | 3,490                     | 9,259            | 10,126            | 2,623                      |
| General activities        | 3,560                     | 17,453           | 16,788            | 4,225                      |
|                           |                           |                  |                   | -                          |

**PLAINWELL COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS**  
**AND LIABILITY BY ACTIVITY**  
**YEAR ENDED JUNE 30, 2008**

|                                    | <b>Balance<br/>7/1/07</b> | <b>Additions</b> | <b>Deductions</b> | <b>Balance<br/>6/30/08</b> |
|------------------------------------|---------------------------|------------------|-------------------|----------------------------|
| High school (Concluded):           |                           |                  |                   |                            |
| Quiz bowl                          | \$ 495                    | \$ 1,126         | \$ 1,200          | \$ 421                     |
| Island City Café                   | 3,018                     | 4,020            | 5,860             | 1,178                      |
| Jean scholarship fund              | 412                       | 429              | 500               | 341                        |
| Lasher memorial                    | 1,230                     | 39               | -                 | 1,269                      |
| Library                            | 199                       | 3                | -                 | 202                        |
| Life skills - special ed           | -                         | 63               | -                 | 63                         |
|                                    |                           |                  |                   | -                          |
| Lifequest                          | 175                       | 350              | 153               | 372                        |
| Math supply account                | 42                        | -                | -                 | 42                         |
| Metal shop                         | 1,136                     | -                | -                 | 1,136                      |
| Miscellaneous                      | 7,052                     | 1,410            | 4,024             | 4,438                      |
| National honor society             | 1,900                     | 2,864            | 1,721             | 3,043                      |
|                                    |                           |                  |                   | -                          |
| P.A.L.S.                           | 279                       | -                | 105               | 174                        |
| Pepsi scholarship fund             | 49                        | -                | -                 | 49                         |
| Peace Jam                          | 282                       | -                | 75                | 207                        |
| Play                               | 2,608                     | -                | -                 | 2,608                      |
| Race team                          | 759                       | -                | -                 | 759                        |
|                                    |                           |                  |                   | -                          |
| Resource room                      | 393                       | -                | -                 | 393                        |
| S.A.D.D.                           | 403                       | -                | -                 | 403                        |
| School store - Post 1997           | 5,353                     | 464              | 531               | 5,286                      |
| Senior fees                        | 3,451                     | 5,900            | 5,619             | 3,732                      |
| Spanish club                       | 4,342                     | 887              | 2,372             | 2,857                      |
|                                    |                           |                  |                   |                            |
| Student senate                     | 3,486                     | 9,882            | 9,875             | 3,493                      |
| Swimming (Newman)                  | 3,725                     | 2,957            | 3,948             | 2,734                      |
| Swimming memorial - Robert O'Leary | 935                       | -                | -                 | 935                        |
| Teachers lounge                    | 178                       | 400              | 549               | 29                         |
| Trojan                             | 14,467                    | 29,911           | 26,148            | 18,230                     |
|                                    |                           |                  |                   | -                          |
| Trojan Torch                       | 1,147                     | 1,980            | 4,326             | (1,199)                    |
| Varsity club                       | 1,624                     | 8,476            | 8,122             | 1,978                      |
| Video Club                         | 2,091                     | -                | -                 | 2,091                      |
| Wood shop                          | 3,230                     | 2,861            | 2,597             | 3,494                      |
| Wrestling activity fund            | 1,143                     | 2,680            | 3,729             | 94                         |
| Wrestling T. Picket memorial       | 105                       | -                | -                 | 105                        |
|                                    |                           |                  |                   | -                          |

**PLAINWELL COMMUNITY SCHOOLS  
AGENCY FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND LIABILITY BY ACTIVITY  
YEAR ENDED JUNE 30, 2008**

|                              | <b>Balance<br/>7/1/07</b> | <b>Additions</b>  | <b>Deductions</b> | <b>Balance<br/>6/30/08</b> |
|------------------------------|---------------------------|-------------------|-------------------|----------------------------|
| Middle school (Concluded):   |                           |                   |                   |                            |
| Team 4                       | \$ 10                     | \$ -              | \$ 10             | \$ -                       |
| Team 5                       | 614                       | -                 | 614               | -                          |
| Team 6                       | 357                       | -                 | 357               | -                          |
| Wood shop                    | 68                        | -                 | 43                | 25                         |
| Needy Children's Fund        | 937                       | -                 | -                 | 937                        |
| Ski Club - Elementary        | 2,127                     | 4,672             | 4,434             | 2,365                      |
| Starr:                       |                           |                   |                   |                            |
| Chicago Trip                 | 7,970                     | 9,000             | 7,218             | 9,752                      |
| General activities           | 206                       | 5,550             | 5,415             | 341                        |
| Library fund                 | 314                       | 395               | 264               | 445                        |
| Memorials (Allen & Brus)     | 2,627                     | 47                | -                 | 2,674                      |
| Dental assistance            | (216)                     | -                 | -                 | (216)                      |
| Supplies plus (school store) | 3,113                     | 945               | 748               | 3,310                      |
| Teachers lounge              | 236                       | 967               | 250               | 953                        |
| Streidl Scholarship Fund     |                           |                   |                   |                            |
| TAC fundraising              | 220                       | -                 | -                 | 220                        |
| Welcher Scholarship Fund     | 1,028                     | 18                | 301               | 745                        |
| <b>TOTAL AGENCY FUNDS</b>    | <b>\$ 227,622</b>         | <b>\$ 384,424</b> | <b>\$ 391,548</b> | <b>\$ 220,498</b>          |

**PLAINWELL COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 1998 DEBT**  
**YEAR ENDED JUNE 30, 2008**

| Year ending<br>June 30, | Interest rate | Principal<br>amount | Interest<br>amount | Total        |
|-------------------------|---------------|---------------------|--------------------|--------------|
| 2009                    | 4.50%         | \$ 1,000,000        | \$ 45,000          | \$ 1,045,000 |

Principal payments due on first day of May

Interest payments due on the first day of May and November

Original issue - November 30, 1998      \$ 19,660,000

Purpose - Construction, remodeling and improvement of school facilities.



**PLAINWELL COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2002 DEBT**  
**YEAR ENDED JUNE 30, 2008**

| Year ending<br>June 30, | Interest rate | Principal<br>amount | Interest<br>amount  | Total               |
|-------------------------|---------------|---------------------|---------------------|---------------------|
| 2009                    | 4.00%         | \$ 1,000,000        | \$ 295,250          | \$ 1,295,250        |
| 2010                    | 4.00%         | 1,000,000           | 255,250             | 1,255,250           |
| 2011                    | 4.00%         | 1,000,000           | 215,250             | 1,215,250           |
| 2012                    | 4.10%         | 1,000,000           | 175,250             | 1,175,250           |
| 2013                    | 4.20%         | 1,000,000           | 134,250             | 1,134,250           |
| 2014                    | 5.50%         | 1,000,000           | 92,250              | 1,092,250           |
| 2015                    | 5.50%         |                     | 37,250              | 37,250              |
| 2016                    | 5.50%         |                     | 37,250              | 37,250              |
| 2017                    | 5.50%         |                     | 37,250              | 37,250              |
| 2018                    | 5.50%         |                     | 37,250              | 37,250              |
| 2019                    | 5.50%         |                     | 37,250              | 37,250              |
| 2020                    | 5.50%         |                     | 37,250              | 37,250              |
| 2021                    | 5.00%         | 745,000             | 37,250              | 782,250             |
|                         |               | <u>\$ 6,745,000</u> | <u>\$ 1,428,250</u> | <u>\$ 8,173,250</u> |

Principal payments due on first day of May

Interest payments due on first day of May and November

Original issue - November 20, 2002      \$     25,510,000

Purpose - Construction, remodeling and improvement of school facilities.

**PLAINWELL COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – REFUNDING BONDS**  
**YEAR ENDED JUNE 30, 2008**

| Year ending<br>June 30, | Interest rate | Principal<br>amount  | Interest<br>amount  | Total                |
|-------------------------|---------------|----------------------|---------------------|----------------------|
| 2009                    | 4.00%         | \$ -                 | \$ 702,930          | \$ 702,930           |
| 2010                    | 4.00%         | 1,035,000            | 702,930             | 1,737,930            |
| 2011                    | 3.50%         | 1,030,000            | 661,530             | 1,691,530            |
| 2012                    | 4.00%         | 1,035,000            | 625,480             | 1,660,480            |
| 2013                    | 4.50%         | 1,030,000            | 584,080             | 1,614,080            |
| 2014                    | 5.00%         | 1,025,000            | 537,730             | 1,562,730            |
| 2015                    | 5.00%         | 2,030,000            | 486,480             | 2,516,480            |
| 2016                    | 5.00%         | 2,025,000            | 384,980             | 2,409,980            |
| 2017                    | 4.10%         | 2,030,000            | 283,730             | 2,313,730            |
| 2018                    | 5.00%         | 2,010,000            | 200,500             | 2,210,500            |
| 2019                    | 5.00%         | 1,000,000            | 100,000             | 1,100,000            |
| 2020                    | 5.00%         | 1,000,000            | 50,000              | 1,050,000            |
|                         |               | <u>\$ 15,250,000</u> | <u>\$ 5,320,370</u> | <u>\$ 20,570,370</u> |

Principal payments due on first day of May

Interest payments due on first day of May and November

Original issue - June 2, 2005                      \$     15,345,000

Purpose - Refunding of 1998 and 2002 debt

**PLAINWELL COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2007 BONDS**  
**YEAR ENDED JUNE 30, 2008**

| Year ending<br>June 30, | Interest rate | Principal<br>amount | Interest<br>amount  | Total                |
|-------------------------|---------------|---------------------|---------------------|----------------------|
| 2009                    | 4.00%         | \$ -                | \$ 316,000          | \$ 316,000           |
| 2010                    | 4.00%         | -                   | 316,000             | 316,000              |
| 2011                    | 4.00%         | -                   | 316,000             | 316,000              |
| 2012                    | 4.00%         | -                   | 316,000             | 316,000              |
| 2013                    | 4.00%         | -                   | 316,000             | 316,000              |
| 2014                    | 4.00%         | -                   | 316,000             | 316,000              |
| 2015                    | 4.00%         | -                   | 316,000             | 316,000              |
| 2016                    | 4.00%         | -                   | 316,000             | 316,000              |
| 2017                    | 4.00%         | -                   | 316,000             | 316,000              |
| 2018                    | 4.00%         | -                   | 316,000             | 316,000              |
| 2019                    | 4.00%         | -                   | 316,000             | 316,000              |
| 2020                    | 4.00%         | -                   | 316,000             | 316,000              |
| 2021                    | 4.00%         | 350,000             | 316,000             | 666,000              |
| 2022                    | 4.00%         | 1,100,000           | 302,000             | 1,402,000            |
| 2023                    | 4.00%         | 1,090,000           | 258,000             | 1,348,000            |
| 2024                    | 4.00%         | 1,085,000           | 214,400             | 1,299,400            |
| 2025                    | 4.00%         | 1,080,000           | 171,000             | 1,251,000            |
| 2026                    | 4.00%         | 1,070,000           | 127,800             | 1,197,800            |
| 2027                    | 4.00%         | 1,065,000           | 85,000              | 1,150,000            |
| 2028                    | 4.00%         | 1,060,000           | 42,400              | 1,102,400            |
|                         |               | <u>\$ 7,900,000</u> | <u>\$ 5,308,600</u> | <u>\$ 13,208,600</u> |

Principal payments due on first day of May

Interest payments due on first day of May and November

Original issue - March 27, 2007                      \$        7,900,000

Purpose - Refunding of 2002 debt

**PLAINWELL COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS -DURANT**  
**YEAR ENDED JUNE 30, 2008**

| Year ending<br>June 30, | Interest rate | Principal<br>amount | Interest<br>amount | Total             |
|-------------------------|---------------|---------------------|--------------------|-------------------|
| 2009                    | 4.76%         | \$ 20,631           | \$ 5,402           | \$ 26,033         |
| 2010                    |               | 21,613              | 4,419              | 26,032            |
| 2011                    |               | 22,642              | 3,391              | 26,033            |
| 2012                    |               | 62,206              | 15,886             | 78,092            |
| 2013                    |               | 24,848              | 1,183              | 26,031            |
| Total                   |               | <u>\$ 151,940</u>   | <u>\$ 30,281</u>   | <u>\$ 182,221</u> |

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorized the payment of the State Aid Payments directly to the Authority's Depository.

**PLAINWELL COMMUNITY SCHOOLS**  
**SCHEDULE OF BORROWINGS - STATE OF MICHIGAN**  
**SCHOOL BOND LOAN AND REVOLVING FUNDS**  
**JUNE 30, 2008**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Program. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State under this program have been summarized as follows:

| Year ended<br>June 30, | Loan<br>proceeds    | Interest<br>expense | Loan balance<br>(net change) |
|------------------------|---------------------|---------------------|------------------------------|
| 2006                   | \$ 2,939,100        | \$ 189,064          | \$ 3,128,164                 |
| 2007                   | 568,593             | 168,551             | 737,144                      |
| 2008                   | 305,946             | 184,448             | 490,394                      |
| Totals June 30, 2008   | <u>\$ 3,813,639</u> | <u>\$ 542,063</u>   | <u>\$ 4,355,702</u>          |

Balance at June 30, 2008

|                            |        |                     |
|----------------------------|--------|---------------------|
| School Bond Loan Fund      | 4.25%  | \$ 2,943,898        |
| School Loan Revolving Fund | 4.384% | <u>1,411,804</u>    |
|                            |        | <u>\$ 4,355,702</u> |

**PLAINWELL COMMUNITY SCHOOLS**  
**ADDITIONAL REPORTS REQUIRED BY**  
**OMB CIRCULAR A-133**  
**YEAR ENDED JUNE 30, 2008**

CONTENTS

|   |             |
|---|-------------|
|   | <u>Page</u> |
| Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> ..... | 1 - 2       |
| Report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 .....   | 3 - 5       |
| Schedule of expenditures of federal awards .....  | 6 - 7       |
| Notes to schedule of expenditures of federal awards.....  | 8           |
| Schedule of findings and questioned costs .....   | 9           |
| Schedule of prior audit findings.....   | 10          |



Lamonte T. Lator  
Bruce J. Dunn  
Jeffrey C. Stevens  
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David M. Raeck  
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Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Plainwell Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Plainwell Community Schools as of and for the year ended June 30, 2008, which collectively comprise Plainwell Community Schools' basic financial statements and have issued our report thereon dated September 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Plainwell Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plainwell Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plainwell Community Schools' internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Plainwell Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Plainwell Community Schools in a separate letter dated September 8, 2008.

This report is intended solely for the information and use of management, Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer, Costeniser & Ellis, P.C.*

September 8, 2008



Lamonte T. Lator  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Plainwell Community Schools

**Compliance**

We have audited the compliance of Plainwell Community Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. Plainwell Community Schools' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Plainwell Community Schools' management. Our responsibility is to express an opinion on Plainwell Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Plainwell Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Plainwell Community Schools' compliance with those requirements.

In our opinion, Plainwell Community Schools complied, in all material respects, with the requirements referred to above that are applicable to of its major federal program for the year ended June 30, 2008.

## Internal Control Over Compliance

The management of Plainwell Community Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Plainwell Community Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Plainwell Community Schools as of and for the year ended June 30, 2008, and have issued our report thereon dated September 8, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Plainwell Community Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, federal award agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer, Costeniser & Ellis, P.C.*

September 8, 2008

**PLAINWELL COMMUNITY SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2008**

| Federal grantor/pass-through grantor/<br>program title | Federal<br>CFDA<br>number | Pass-<br>through<br>grantor's<br>number | Approved<br>grant award<br>amount | Accrued<br>(deferred)<br>revenue<br>July 1, 2007 | Prior year<br>expenditures | Adjustments<br>and transfers | Current year<br>expenditures | Current year<br>cash receipts | Accrued<br>(deferred)<br>revenue<br>June 30, 2008 |
|--|---------------------------|---|-----------------------------------|--|----------------------------|------------------------------|------------------------------|-------------------------------|---|
| <b>U.S. Department of Agriculture:</b>                 |                           |   |                                   |  |                            |                              |                              |                               |   |
| Passed through Michigan Department of Education:       |                           |   |                                   |  |                            |                              |                              |                               |   |
| Child Nutrition Cluster:                               |                           |   |                                   |  |                            |                              |                              |                               |   |
| National School Lunch Program - Section 4              | 10.555                    | 071950                                  | \$ 5,778                          | \$ -   | \$ -                       | \$ -                         | \$ 5,778                     | \$ 5,778                      | \$ -  |
| National School Lunch Program - Section 4              |                           | 071960                                  | 20,193                            | -  | -                          | -                            | 20,193                       | 20,193                        | -   |
| National School Lunch Program - Section 11             |                           | 081950                                  | 38,789                            | -  | -                          | -                            | 38,789                       | 38,789                        | -   |
| National School Lunch Program - Section 11             |                           | 081960                                  | 176,947                           | -  | -                          | -                            | 176,947                      | 138,356                       | 38,591  |
|  |                           |   | 241,707                           | -  | -                          | -                            | 241,707                      | 203,116                       | 38,591  |
| National School Lunch Program - Breakfast              | 10.553                    | 071970                                  | 3,411                             | -  | -                          | -                            | 3,411                        | 3,411                         | -   |
| National School Lunch Program - Breakfast              |                           | 081970                                  | 38,937                            | -  | -                          | -                            | 38,937                       | 31,020                        | 7,917   |
|  |                           |   | 42,348                            | -  | -                          | -                            | 42,348                       | 34,431                        | 7,917   |
| Total Child Nutrition Cluster                          |                           |   | 284,055                           | -  | -                          | -                            | 284,055                      | 237,547                       | 46,508  |
| Food distribution:                                     |                           |   |                                   |  |                            |                              |                              |                               |   |
| Entitlement Commodities                                | 10.550                    |   | 50,073                            | -  | -                          | -                            | 45,109                       | 45,109                        | -   |
| Bonus Commodities                                      |                           |   | 128                               | -  | -                          | -                            | 128                          | 128                           | -   |
|  |                           |   | 50,201                            | -  | -                          | -                            | 45,237                       | 45,237                        | -   |
| Total U.S. Department of Agriculture                   |                           |   | 334,256                           | -  | -                          | -                            | 329,292                      | 282,784                       | 46,508  |
| <b>U.S. Department of Education:</b>                   |                           |   |                                   |  |                            |                              |                              |                               |   |
| Passed through Michigan Department of Education:       |                           |   |                                   |  |                            |                              |                              |                               |   |
| E.C.I.A. Title I-                                      | 84.010                    | 081530-0708                             | 280,025                           | -  | -                          | -                            | 279,116                      | 105,866                       | 173,250   |
| E.C.I.A. Title I                                       |                           | 071530-0607                             | 255,184                           | 204,737  | 255,184                    | -                            | -                            | 204,737                       | -   |
|  |                           |   | 535,209                           | 204,737  | 255,184                    | -                            | 279,116                      | 310,603                       | 173,250   |

The accompanying notes are an integral part of this schedule.

**PLAINWELL COMMUNITY SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2008**

| Federal grantor/pass-through grantor/<br>program title              | Federal<br>CFDA<br>number | Pass-<br>through<br>grantor's<br>number | Approved<br>grant award<br>amount | Accrued<br>(deferred)<br>revenue<br>July 1, 2007 | Prior year<br>expenditures | Adjustments<br>and transfers | Current year<br>expenditures | Current year<br>cash receipts | Accrued<br>(deferred)<br>revenue<br>June 30, 2008 |
|---|---------------------------|---|-----------------------------------|--|----------------------------|------------------------------|------------------------------|-------------------------------|---|
| U.S. Department of Education (Concluded):                           |                           |   |                                   |  |                            |                              |                              |                               |   |
| Passed through Michigan Department of Education (Concluded):        |                           |   |                                   |  |                            |                              |                              |                               |   |
| Title V LEA Allocation  | 84.298                    | 080250-0708                             | \$ 590                            | \$ 139   | \$ 139                     | \$ -                         | \$ 160                       | \$ 139                        | \$ 160  |
| Title V LEA Allocation  |                           | 070250-0607                             | 597                               | 597  | 597                        | -                            | -                            | 597                           | -   |
|   |                           |   | 1,187                             | 736  | 736                        | -                            | 160                          | 736                           | 160   |
| Technical Literacy Challenge Fund                                   | 84.318                    | 084290-0708                             | 4,469                             | -  | -                          | -                            | 2,728                        | 1,068                         | 1,660   |
| Technical Literacy Challenge Fund                                   | 84.318                    | 074290-0607                             | 2,619                             | 768  | 768                        | -                            | -                            | 768                           | -   |
|   |                           |   | 7,088                             | 768  | 768                        | -                            | 2,728                        | 1,836                         | 1,660   |
| Title IIA, Improving Teacher Quality                                | 84.367                    | 070520-0607                             | 94,213                            | 69,763   | 69,761                     | -                            | 4,035                        | 73,798                        | -   |
| Title IIA, Improving Teacher Quality                                | 84.367                    | 080520-0708                             | 94,969                            | -  | -                          | -                            | 92,384                       | 37,536                        | 54,848  |
|   |                           |   | 189,182                           | 69,763   | 69,761                     | -                            | 96,419                       | 111,334                       | 54,848  |
| Service Provider Self Review  | 84.027                    | 080440-0708                             | 4,500                             | -  | -                          | -                            | 3,900                        | -                             | 3,900   |
| Total passed through Michigan Department<br>of Education            |                           |   | 737,166                           | 276,004  | 326,449                    | -                            | 382,323                      | 424,509                       | 233,818   |
| Passed through Allegan County Intermediate School District:         |                           |   |                                   |  |                            |                              |                              |                               |   |
| Medicaid Outreach   | 93.778                    | M8001                                   | 16,061                            | -  | -                          | -                            | 16,061                       | 16,061                        | -   |
| Preschool Incentive   | 84.173                    | 060660-1                                | 18,602                            | -  | -                          | -                            | 18,603                       | 18,603                        | -   |
| Total passed through Allegan County Intermediate<br>School District |                           |   | 34,663                            | -  | -                          | -                            | 34,664                       | 34,664                        | -   |
| Passed through Ottawa County Intermediate School District:          |                           |   |                                   |  |                            |                              |                              |                               |   |
| Safe and Drug Free School and Communities Act                       | 84.186                    | 082860                                  | 8,725                             | -  | -                          | -                            | 4,897                        | 6,197                         | (1,300)   |
| Total U.S. Department of Education                                  |                           |   | 780,554                           | 276,004  | 326,449                    | -                            | 421,884                      | 465,370                       | 232,518   |
| TOTAL FEDERAL AWARDS  |                           |   | \$ 1,114,810                      | \$ 276,004                                       | \$ 326,449                 | \$ -                         | \$ 751,176                   | \$ 748,154                    | \$ 279,026  |

The accompanying notes are an integral part of this schedule.

**PLAINWELL COMMUNITY SCHOOLS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Plainwell Community Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. The Child Nutrition Cluster, CFDA #10.555 and 10.553 was audited as a major program.
3. Major programs represent 38% of federal expenditures.
4. The threshold for distinguishing Type A and Type B programs was \$300,000.
5. Management has utilized the Grant Section Auditors' Report (Form R7120) and the Grant Audits Report in preparing the Schedule of Expenditures of Federal Awards.
6. Federal expenditures are reported as revenue in the following funds in the financial statements:

|                                   |                          |
|-----------------------------------|--------------------------|
| General fund                      | \$ 421,884               |
| Other nonmajor governmental funds | <u>329,292</u>           |
|                                   | <u><u>\$ 751,176</u></u> |

**PLAINWELL COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section I – Summary of Auditors’ Results**

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***Financial Statements***

Type of auditors’ report issued:

*Unqualified*

Internal control over financial reporting

- Material weakness(es) identified: \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not  
considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified: \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not  
considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditors’ report issued on compliance for major  
programs:

*Unqualified*

Any audit findings disclosed that are required to be reported  
with Section 501(a) of Circular A-133?

\_\_\_\_\_ Yes   X   No

Identification of major programs:

| CFDA Number(s)    | Name of Federal Program or Cluster |
|-------------------|------------------------------------|
| 10.555 and 10.553 | Child Nutrition Cluster            |

Dollar threshold used to distinguish between type A and type  
B programs:

         \$300,000         

Auditee qualified as low-risk auditee?

  X   Yes        No

**Section II - Financial Statement Findings**

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None.

**Section III - Federal Award Findings and Questioned Costs**

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None.



**PLAINWELL COMMUNITY SCHOOLS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2008**

There were no prior audit findings which need to be reported.



Lamonte T. Lator  
Bruce J. Dunn  
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Linda I. Schirmer  
Steven W. Scott  
David M. Raeck  
Robert E. Miller, Jr.  
Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
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Timothy J. Orians  
Dennis D. Theis

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

September 8, 2008

To the Board of Education  
Plainwell Community Schools

In planning and performing our audit of the financial statements of Plainwell Community Schools as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Plainwell Community Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration.

This letter does not affect our report dated September 8, 2008 on the financial statements of Plainwell Community Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

**PRIOR YEAR COMMENTS:**

Prior year comments have been addressed.

**CURRENT YEAR COMMENTS:****Athletics****Recording of athletic gate receipts in the general ledger**

It was noted during our audit, gate receipts from athletic events are recorded in a single account in the general ledger. This method does not allow for comparisons at the administrative level by sport. We recommend the athletic department submit a monthly report of receipts, by sport, which can periodically be reviewed by the Business Office and the Board of Education. This will assist in reconciling reports generated by the athletic department and the general ledger.

**Pay to participate fees**

The district has implemented a pay to participate program for sports. The athletic department maintains an excel spreadsheet with all students and the various sports they participate in. To improve control over tracking the completeness of cash receipts, we would recommend the athletic department reconcile fees collected to the final rosters.

**Reconciliation of gate receipts**

During our audit it was determined through inquiry, at all significant athletic events, the sale of the ticket is not always a separate activity from a second individual collecting the ticket and defacing the ticket. Whenever practical, these procedures should be separated. This will improve controls over the reconciliation of tickets sold to cash collected at the end of the event.

We also recommend a standardized reconciliation sheet be implemented at this time and the individuals collecting the gate receipts count the cash and document the amount they have turned over to the athletic department for deposit. This reconciliation form should accompany the deposit slip when transmitted to the business office for comparison to the amount actually deposited. Subsequent to year-end, these procedures have been implemented based on discussions with management.

### **Other Current Year Comments**

#### **Initialing of bank statements**

We recommend the individual reviewing the bank statement should sign off upon receipt of the bank statement to document the bank statement was unopened when the reviewer received it.

#### **Review of cancelled checks**

Your bank currently provides images of cancelled checks on CDs that are sent monthly subsequent to the bank statements. We recommend that an individual independent of the cash receipt and disbursement functions review the cancelled checks periodically and compare them against the check register. This procedure should be documented as well.

#### **Vendor access and policies**

The Director of Finance and accounts payable clerk have access to add new vendors to the system. This is a common practice in districts your size. We recommend a new vendor report be prepared quarterly and reviewed to determine only authorized vendors have been added to the accounting system.

#### **Budget line item amendment**

During the audit it was brought to our attention that a line item athletic transfer exceeded district policy. We recommend the district comply with its policies for amending certain line items.

### **Month-end procedures checklist**

Currently, the District follows formal month-end procedures. The Director of Finance records journal entries to the accounting records monthly. We tested these journal entries for accuracy and found no errors during our testing.

We do recommend recorded journal entries be reviewed and discussed with the Superintendent on a monthly basis. We also recommend this procedure be documented.

### **Uninsured bank deposits**

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding; there are limits to FDIC insured balances. Generally, the limits are \$100,000 for demand accounts (checking) and \$100,000 for time deposit accounts (savings/certificates of deposit). Districts may also request certain funds be collateralized by the bank. There are other options regarding investing surplus funds from investment pools and treasury investments to commercial paper.

We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the District's investment policy to ensure it continues to satisfy the District's goals.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Plainwell Community Schools, management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

*Mamie Costeniser & Ellis, P.C.*



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Walter P. Maner, Jr. (1921-2004)  
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September 8, 2008

To the Plainwell Finance Committee  
Plainwell Community Schools

We have audited the financial statements of Plainwell Community Schools for the year ended June 30, 2008, and have issued our report thereon dated September 8, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Plainwell Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Plainwell Community Schools' financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Plainwell Community Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Plainwell Community Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Plainwell Community Schools' compliance with those requirements.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our discussions about planning matters on August 12, 2008 and August 14, 2008.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Plainwell Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the liability of the payout for the employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements as a whole.

Management's estimated lives of capital assets. We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain amounts included in capital assets have been estimated based on an outside appraisal company. Certain allocations on the statement of activities allocating revenue between instruction and support services have been used in preparing the statements.

The financial statements are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.



### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 8, 2008.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Finance Committee, the Board of Education, management, and federal awarding agencies and pass-through entities of Plainwell Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Maner, Costeniser & Ellis, P.C.*